

Stakeholder Comments

February 10, 2016 to February 26, 2016

Comments RE: Group 12 Amusement Games

From: Ezra Eickmeyer

WAMOA, Amusement Game Operators

360-301-1842

ezra@olypen.com

To: Chris Stearns

Chair, Washington State Gambling Commission

CC: WSGC Staff and Commissioners

Dear Chair Stearns, WSGC Commissioners and Staff:

We are gravely concerned that rushing a repeal of group 12 amusement games (or adopting unreasonable regulations that essentially cause a de facto ban) will cause the industry severe economic harm and lead to sustained court actions and completely unnecessary WSGC legal expenses.

We understand WSGC's sense of urgency in addressing the practice of giving cash-outs to customers after they win in-house gifts certificates and then make nominal purchases. While some are very frustrated that this potential should have been known by WSGC when group 12 game rules were initially authorized, we agree with the need to urgently address the practice.

However, there are also other rules being proposed in both the discussion document prepared by Tina Griffin for the February 22, 2016 stakeholder meeting as well as in Option A of the official proposed rule-changes that would eliminate group 12 games' economic viability.

If WSGC attempts to pass a massive overhaul of the WAC in too short of a time frame (rules that took 2 years to develop and were adopted only less than a year ago) it will cause significant problems for the industry's investments in these games and will lead to serious economic liability for WSGC.

There is no emergency other than political pressure from tribal interests and no need to rush through too many changes at once, especially with such severe consequences on all sides for making mistakes.

Therefore, we respectfully and urgently request that revisions to group 12 amusement game rules be worked out in a two-stage rule revision process, the first done urgently and the second with greater deliberation:

Stage one.

In stage one of this process, we propose that the following limited provisions be adopted urgently to address the primary concerns:

Provision 1) Limit in-house gift cards to \$50-\$100 to disallow for any large cash-outs after minimal purchases.

Provision 2) Allow for ticket out, ticket in playback to further reduce the probability of any cash-outs, even minor ones.

These provisions would address the cash-out practice that has our opponents the most concerned, but would do so without causing our investment in this technology to be undone.

Stage two.

In stage two, a second set of rule revisions would be used to work out the broader and less urgent concerns, overhauling the overall rules with more time to get them properly balanced. This second set of changes could be adopted by sometime this summer or fall.

Our approach to solving the most immediate issues now with a simple rule revision, and the less urgent issues with more time and consideration would serve everyone's needs. We believe you can find us to be cooperative in this process.

Finally, we whole-heartedly appreciate the efforts that Tina Griffin has put into working out the document for open discussion at the 2.22 stakeholder meeting. It is a very decent starting point for discussion over the coming months on how to change the overall rules as we work on our proposed stage 2 of the rule revisions. However, we don't believe that a proper balance can be worked out by March and we also can't agree to these proposed changes as-is. More process is required to get this right.

Thank you and we look forward to ironing out these rules in the coming months. Please feel free to contact me anytime with questions or concerns.

Sincerely,

Ezra Eickmeyer

Washington Amusement Machine Operators Association

Griffin, Tina (GMB)

From: Arrona, Hollee (GMB)
Sent: Tuesday, February 23, 2016 3:04 PM
To: Griffin, Tina (GMB)
Subject: FW: Group 12 Discussion

Hi Tina,

Gary Rouse attended the stakeholder meeting on Monday and would like to share his thoughts. See below.

Holley

From: rjbтар@nventure.com [mailto:rjbтар@nventure.com]
Sent: Tuesday, February 23, 2016 1:15 PM
To: Arrona, Hollee (GMB) <hollee.arrona@wsgc.wa.gov>
Subject: Re: Group 12 Discussion

Thank you Hollee

I do think the statement is correct. As the overall goal is to keep the funds in the locations.

On Tue, February 23, 2016 12:08 pm, Arrona, Hollee (GMB) wrote:

- > Hi Gary,
- > Thank you for your willingness to share your thoughts on Group 12 rules. I
- > would like to verify what we discussed. Please review and provide feedback
- > at your convenience.
- >
- > Per our conversation, this is what I understood you to say:
- >
- > Group 12 machines would be able to print out a gift certificate/card for
- > redemption at the awarding establishment limiting a cash redemption of \$5
- > or less as stipulated in WAC.
- >
- > If this meets your approval, I will forward this to Tina Griffin for
- > review.
- >
- > Thanks you,
- >
- > Hollee Arrona
- > Administrative Assistant
- > Washington State Gambling Commission
- > P.O. Box 42400
- > Olympia, WA 98504
- > (360) 486-3555
- >
- >

Griffin, Tina (GMB)

From: Gary Malcolm <gary@waskill.com>
Sent: Tuesday, February 23, 2016 10:25 AM
To: Griffin, Tina (GMB)
Cc: Arrona, Hollee (GMB)
Subject: Group 12 Electronic Token Storage

Hello Tina,

Thank you for the phone in option for the meeting yesterday. It was difficult to hear everything but the Amended Section drafts helped a lot.

One think I'd like to ensure is a possibility is the ability to store the electronic tokens on something other than a card.

Did Monty demonstrated how the storage worked on Sonoma when you were at Riverside? If not or you need more clarification please don't hesitate to call.

Griffin, Tina (GMB)

From: Jay Gerow <jayg@zdigaming.com>
Sent: Tuesday, February 23, 2016 8:34 AM
To: Griffin, Tina (GMB)
Subject: Wording for rule change

Tina,

For what it's worth here is the wording that can be used for the use of tokens going back into the machine.

(iv) For Group 12 amusement games.

* Tokens and or tokens on an electronic token can be reinserted for additional plays or

That would take care of it. Any left over points could be added to a points card for the location as needed.

Jay Gerow
ZDI Gaming Inc.
2124 196th St. SW
Lynnwood, Wa 98036

(425)775-7991 office
(425)775-8433 fax

Griffin, Tina (GMB)

From: Newer, Susan (GMB) on behalf of AgencyWebsite (GMB)
Sent: Thursday, February 18, 2016 4:15 PM
To: Trujillo, Dave (GMB); Rancour, Michelle (GMB); Griffin, Tina (GMB)
Subject: FW: attn: Chris Stearns, Chair, Feb 11th meeting

Dave, Tina & Michelle,

I responded to Rich LeMieux and let him know we would forward to Chair Stearns, the Commissioners and other staff for consideration.

Please forward as you see appropriate.

Thank you,

Susan Newer
Rules Coordinator & Public Information Officer
Washington State Gambling Commission
4565 7th Ave. S.E. | PO Box 42400 | Olympia, WA 98504-2400
Susan.Newer@wsgc.wa.gov | (360) 486-3466 (office) | (360) 628-1669 (cell)
Twitter: [WAGambling](#)
Protect the public by ensuring that gambling is legal and honest.

From: Rich LeMieux [mailto:rich.lemieux@wizardscasino.biz]
Sent: Thursday, February 18, 2016 3:13 PM
To: AgencyWebsite (GMB) <agency.website@wsgc.wa.gov>
Subject: attn: Chris Stearns, Chair, Feb 11th meeting

Chris Stearns,
Chair

Hello, this is some information about the option for redemption that is being utilized in Ohio for their version of these Class 12 Amusement Games.

In Ohio the establishments are ordering items for the customers that want to redeem their tokens via Amazon.com.

example: customer has \$63, the establishment has a Laptop right their to order anything they want on Amazon.com. the balance to be used for food and beverage.

no cash ever given

--
Rich LeMieux
General Manager, Wizard's Casino
rich.lemieux@wizardscasino.biz
425.445.8923

February 6th, 2016

To the Washington State Gambling Commissioners,

I feel that the authorization of Group 12 games, which was accomplished after months of public comment and approved by the commissioners unanimously on a 5-0 vote, is a positive development for my small business. It is my understanding that months after this very public approval process, the commission is now being asked to repeal it.

This amusement device would help my business as I am faced with rising food, beverage and labor costs. Please keep in mind the small business owner when you consider this proposal. While I would like to see the current rules remain the same, I think we could accept option "B" in Rules Package 3.

Thank you, for your consideration.

Taek K. Kim

TAEK K. KIM

owner of

WEEKER ST. BAR & GRILL

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Thank you, for your consideration.



TAEK K. KIM

owner of

CARRIAGE SQ SPORTS BAR & GRILL

Arrona, Hollee (GMB)

From: PizzaGato@aol.com
Sent: Thursday, February 11, 2016 12:05 PM
To: Griffin, Tina (GMB)
Subject: Lettr to Commissioners

Follow Up Flag: Follow up
Flag Status: Flagged

February 11, 2016

WSCG VIA E-MAIL

As the owner of System Amusement, Spokane, WA, I would like to express my support for Group 12 games. While I would prefer to see the rules remain as they are, I would support option "B" within Rules Package 3.

As a small independent family business, it is important that we are able to continue to offer adult amusement games to our customers. Our short experience with these machines has to be positive. We have seen a light increase in both our beverage and food sales. The customers are using their winnings (normally \$50 and under) and are applying it to their bill.

These are a far cry from slot machines and are nothing more than entertaining amusement games. I like the fact that our customers can win products and merchandise that we offer. It could be a shame to see this program discontinued.

Sincerely,

Robert E. Carroll
System Amusement

February 2, 2016

To the WSGC:

As the owner of 40th St. Pub I would like to express my support for Group 12 games. While I would prefer to see the rules remain as they are. I would support option "B" within Rules Package 3.

As a small independent family business, it is important that we are able to continue to offer adult amusement games to our customers. Our short experience with these machines has been positive. We have seen a slight increase in both our beverage and food sales. The customers are using their winnings (normally \$50 and under) and are applying it to their bill.

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Sincerely,

Jami G. Hiatt

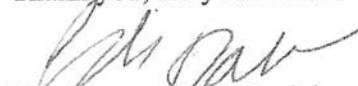
February 11th, 2016

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This amusement device would help my business as I am faced with rising food, beverage and labor costs. Please keep in mind the small business owner when you consider this proposal. While I would like to see the current rules remain the same, I think we could accept option "B" in Rules Package 3.

Thank you, for your consideration.



Tim Tweten, Lisa Daniels
South Sound Restaurants
Hob Knob, Tacoma
Burs Restaurant, Lakewood
Poodle Dog, Fife
Harvester, Tacoma
Power House, Puyallup

Hart Novelty, Inc.

2230 Queen Street Bellingham WA 98229 (360) 734-7250

February 10, 2016

Washington State Gambling Commission
Attn: Tina Griffin, Assistant Director
P.O. Box 42400
Olympia, WA 98504-2400

Dear Ms. Griffin:

I am writing this letter to express my concerns over the recent turmoil regarding Group 12 Amusement Games witnessed at the January study session.

Questions about the number games that could potentially be placed in the market, and the reference to the State of Georgia and their machine numbers, are not a good comparison to Washington State. Our regulations for Commercial Amusement Games are by far more comprehensive and restrictive than most States, including Georgia. All games covered under Commercial Amusement Games in Washington, must be based on a material degree of skill, and can in no way be random, or auto percentage. Georgia allows both. Georgia also doesn't require Commercial Amusement Game operators to be licensed by any Governmental regulatory agency.

Questions were also raised about the number of machines that could be placed in a single location, and I stated publicly that restricting the number would be a good thing. Reason being, that Group 12 games were not meant to be the primary source of income in the location, but rather an economic stimulus to the goods and services currently being offered for sale. This is, after all, the primary objective of the creation of the Washington State Gambling Commission back in the early 1970's, and should apply today. Skill game lounges, as was done in recent times in the State of Florida, are not a good thing for our communities, and provide yet another good example of restricting the number of games per location.

Questions were also raised about tax revenue generation. Sales tax is being generated on the purchase of every machine, on merchandise awarded. B&O and Amusement Game taxes on revenue. Licensing fees are being generated for the Gambling Commission. This is all a significant economic benefit to our communities.

There certainly are issues that require attention so that a clear and defined set of rules are in place for all game operators to follow, as well as clear and defined rules for enforcement. This needs to be a collaborative effort on the part of Stakeholders and Staff. This was the case in 1988 when Commercial Amusement Games were first introduced. The Commission was very concerned about public perception. During the inaugural test period operators were required to place decals on every machine with a toll free number to call with complaints. Very very few complaints from the public were received.

Agents were also tasked with checking plush toys in crane machines to be sure that they could be won fairly, and to ensure the plush toys were not doctored in any way to avoid being won. Not sure the specific number of complaints, but staff at the time said it was inconsequential.

I believe that today's operator is every bit as motivated to follow the rules and work with staff to create rules that work within the confines of the law to produce a fair, fun and profitable relationship, just as we were in 1988 to first be allowed to operate Commercial Amusement Games. To that end, there is a group of operators that are working to reestablish our Washington State trade association group in an effort to work hand in hand with staff on a variety of issues to make the Group 12 game an enjoyable form of adult entertainment in our customers' locations.

Sincerely

Jim Marsh

Hart Novelty

Bellingham WA

Also serving on the National Board of the
Amusement and Music Operators Association (AMOA) Secretary/Treasurer

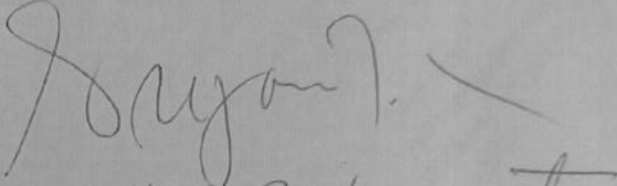
February 6th, 2016

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This amusement device would help my business as I am faced with rising food, beverage and labor costs. Please keep in mind the small business owner when you consider this proposal. While I would like to see the current rules remain the same, I think we could accept option "B" in Rules Package 3.

Thank you, for your consideration.


Ludi's Restaurant
email : rosasgf@hotmail.com

ASI/Music-Vend Distributing Co., LLC

2710 1st Ave. So. • P.O. Box 24807 • Seattle, Washington 98124

PH (206) 682-1381 • FAX (206) 623-4750

Since 1950

Washington State Gambling Commission

Attn: Tina Griffin Asst. Director

PO Box 42400

Olympia, WA 98504-2400

February 10, 2016

Dear Tina,

I would like to respond to certain opinions, verbal and written expressed during and since the January Study Group Session and Meeting.

First, there is obvious concern among the Staff and Commissioners about the method of operation of Group 12 machines in the marketplace. Most if not all of the participants in operating these machines whether they are location owners or distributors know that cash payouts will not be acceptable. Within our industry group discussions about what is happening in the field the following has been observed: Cash payouts that are ongoing are due more to the rule specifics not finalized then to blatant disregard. The cash payout issues will resolve themselves as enforcement policies are implemented and the rules on gift cards and allowance for partial redemption of point values are resolved.

Second, the issue brought up concerning the game defined as an over 21 device.

Question: "Why is this game for over 21 if it is not a gambling device?"

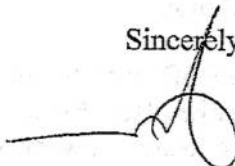
Answer: In my opinion this game is an over 21 device because that is how an adult entertainment device plays, with those graphics and game play. Adults will not play a device that does not entertain or appeal. The whole purpose of this program is to entertain in order to attract adult play, the over 21 crowd.

The overall theme that struck at the meeting in January was the Commissioner's "glass half empty" approach to the Group 12 program. There are certainly issues that need resolving, nobody disputes that. But just as we resolved issues regarding the original Washington State Gambling Commission Amusement Game laws in 1987 we can resolve these as well. The Staff has the experience and knowledge to administer this program. If the Commission does nothing and repeals and then expects things to change for the struggling bar/tavern/restaurant trade then that would be a missed opportunity.

The Commission as public servants and the Stakeholders as businessmen have a responsibility to help over 21 locations and employees survive in a very difficult marketplace. The entertainment pie is very large, but the pieces have become smaller for the bar/tavern/restaurant trade. Put simply, there are more entertainment options for people spending discretionary income than ever before. More are coming online every year. Margins continue to shrink for these establishments as insurance, utilities and taxes keep increasing. We don't have to remind the Commission about the pulltab revenue declines, Gambling Commission licensee attrition or liquor license establishment struggles.

The Group 12 machines will help the stakeholders, but more importantly the locations and employees numbering in the many thousands and gross revenues that ultimately provide sustainability for those businesses. Lastly, the tax revenues and employment income and spending that goes with that across the board more than justify the implementation of a regulated legal enterprise under the law.

Sincerely,



Marv Galante

ASI/Music-Vend Dist. Co. LLC

Since 1950
2710 1st Ave So.
Seattle, WA 98124
206-349-0332



C&L Games, Inc. 3400 East Valley Road Renton, WA 98057
phone 253.631.1630 Fax 1.866.757.8988

WSGC
Lacey/Olympia, WA

Re: Class 12 Games

February 10, 2016

Dear WSGC,

It is my understanding that there is an appeal underway of the current Class 12 rules up for adoption. These Class 12 machines will help save Washington small businesses not only in the amusement industry but also in the restaurant and bar industry. Many states have similar machines and have seen growth in tax revenues and entertainment for their residents. Class 12 machines under rule package 3 option B are a positive move forward for Washingtonians. I urge you to look out for the population as a whole rather than a few special interest groups with deep pockets.

Sincerely,

C. A. Magnuson
MCO